

# **MEMORANDUM**

***Department of Financial Services***

---



**To:** Honorable Mayor and City Council  
**Through:** Thomas C. Williams, City Manager  
**From:** Emma C. Karlen, Director of Financial Services  
**By:** Kyle Spencer, Accounting Technician  
**Subject:** **City of Milpitas Investment Portfolio Status Report for the Quarter Ended December 31, 2006**  
**Date:** January 23, 2007

## **DISCUSSION**

In compliance with the State of California Government Code and the City's Investment Policy, the City of Milpitas Investment Report for the period ended December 31, 2006 is submitted for your review and acceptance. State law requires that a report be submitted to the City Council each quarter.

The attached Portfolio Summary Report provides a summary of the City's investments by type. It lists the par value, market value, book value, percentage of portfolio, term, and days to maturity and the equivalent yields for each type of investment. The Portfolio Details Report provides the same information for each individual investment in the City's portfolio as of December 31, 2006.

The cash balance as of December 31, 2006 consists of \$654,233 held in the City's checking accounts and \$3,305,606 bond reserve funds invested by the fiscal agent. Since the bond reserve funds are invested in accordance with permitted investment provisions of their specific bond indentures, these investments are not included in the calculation of the equivalent yields on the City's investment portfolio.

The market values of the securities were provided by Interactive Data, an independent service provider of market valuation. All the securities owned by the City are held in safekeeping by a third party bank trust department, acting as agent for the City under the terms of a custody agreement.

On December 13, 2006, the City issued the City of Milpitas Certificates of Participation, 2006 Series-A, Sewer Financing Bonds for \$9,535,000. The net bond proceeds of \$9,250,000 was deposited into a Money Market account with Dreyfus Institutional. The bond proceeds and interest earnings from the money market account are restricted for funding the sewer system improvement projects.

The investment portfolio is in compliance with the current investment policy. A combination of securities maturing, new revenues, and tax receipts will adequately cover the anticipated cash flow needs for the next six months. Cash flow requirements are continually monitored and are considered paramount in the selection of maturity dates of securities.

As of December 31, 2006, the principal cost and market value of the City's pooled cash and investment portfolio was \$238,818,655 and \$237,822,503 respectively. When market interest rates increase after an investment is purchased, the market value of that investment decreases. Conversely, when market interest rates decline after an investment is purchased, the market value of that investment increases. If the

investments are not sold prior to the maturity date, there is no market risk. Therefore, in accordance with the City's investment policy, all investments are held until maturity to ensure the return of all invested principal.

The effective rate of return for the period ended December 31, 2006 was 3.56%. The comparative benchmarks for the same period were 4.87% for LAIF (Local Agency Investment Fund) and 4.80% for the 12-month average yield of the 2 year Treasury Note. Excluding the long-term GNMA securities and Repurchase Investment Agreement, the weighted average maturity of the portfolio was 302 days.

To provide a visual picture of the City's investment portfolio, three graphs are presented to show investment by type of securities, by maturity levels, and comparison of the City's portfolio yields to other benchmark yields for the last 12 quarters. A schedule of Investment Portfolio Status is also included in the report. This schedule provides a trend of the type of securities in the City's portfolio, weighted average maturity, average yield, and benchmarks of LAIF and the 12-month average yield of the 2 year Treasury Note.

#### **RECOMMENDATION**

It is recommended that the City Council note, receipt, and file the investment report for the period ended December 31, 2006.

***CITY OF MILPITAS***  
***INVESTMENT PORTFOLIO STATUS***

**PERCENT OF TOTAL DOLLARS INVESTED AT QUARTER ENDED**

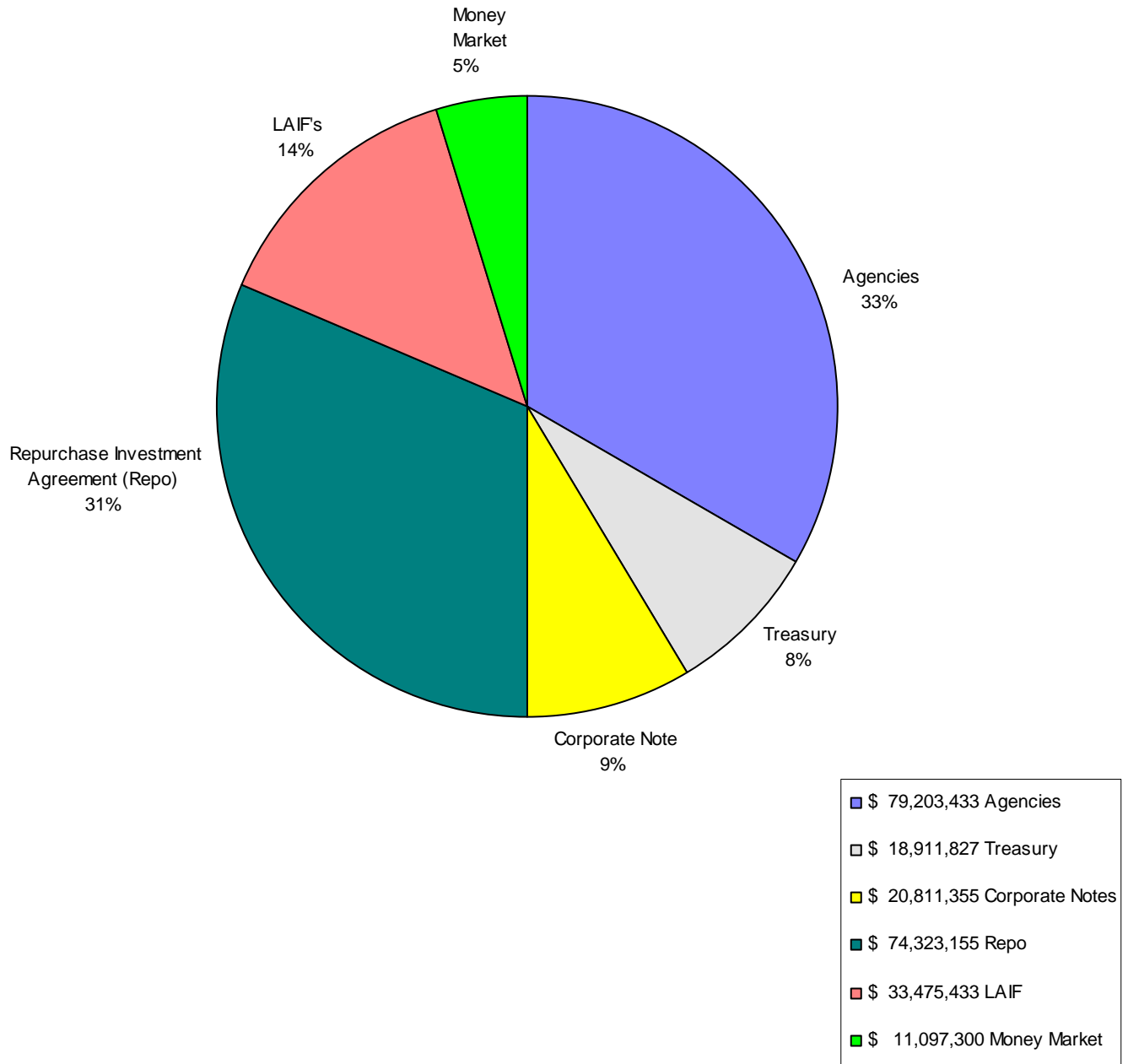
<b><u>TYPE OF SECURITY</u></b>	<b><u>Dec-06</u></b>	<b><u>Sep-06</u></b>	<b><u>Jun-06</u></b>	<b><u>Mar-06</u></b>
LAIF & Money Market	19	11	15	12
Corporate Medium Term Notes	9	9	7	6
Treasury Notes / Bills	8	8	9	10
Federal Agency	33	38	38	38
Repurchase Investment Agreement	31	34	31	34
Commerical Paper	0	0	0	0
	100	100	100	100

	<b><u>Dec-06</u></b>	<b><u>Sep-06</u></b>	<b><u>Jun-06</u></b>	<b><u>Mar-06</u></b>
Market Value	237,822,503	225,571,949	242,843,411	240,936,983
Cost	238,818,655	226,791,072	245,079,241	243,164,644
<b><u>Days</u></b>				
Weighted Average Maturity (1)	302	359	288	344
<b><u>Rates</u></b>				
Average Yield	3.56%	3.59%	3.39%	3.20%
<b><u>Benchmarks:</u></b>				
LAIF	4.87%	4.77%	4.45%	3.89%
2 Year Treasury - (12 Month Average)	4.80%	4.73%	4.53%	4.18%

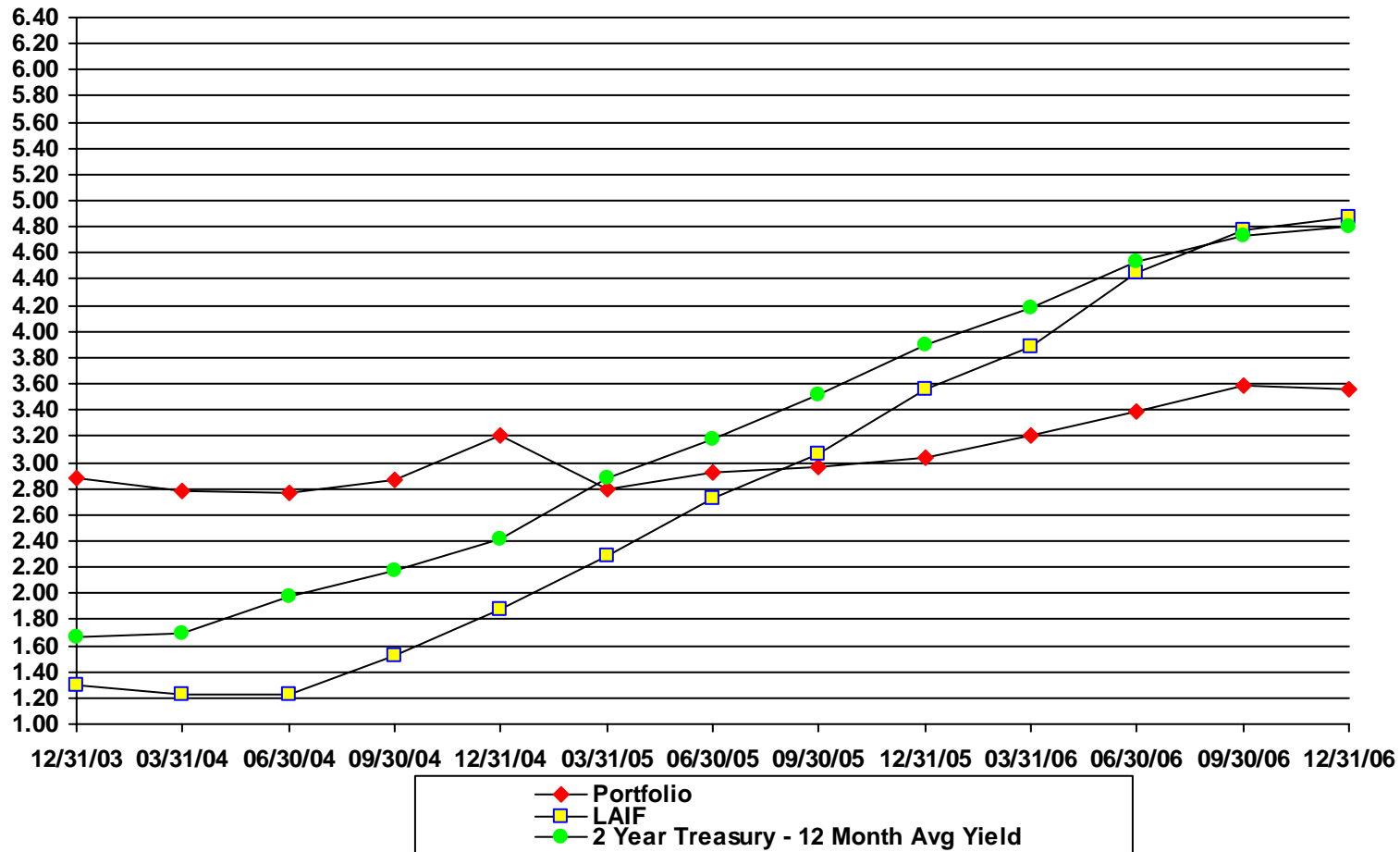
(1) Excludes GNMA & Repurchase Investment Agreement

CITY OF MILPITAS  
INVESTMENT PORTFOLIO STATUS  
December 31, 2006

Investment By Type Of Security

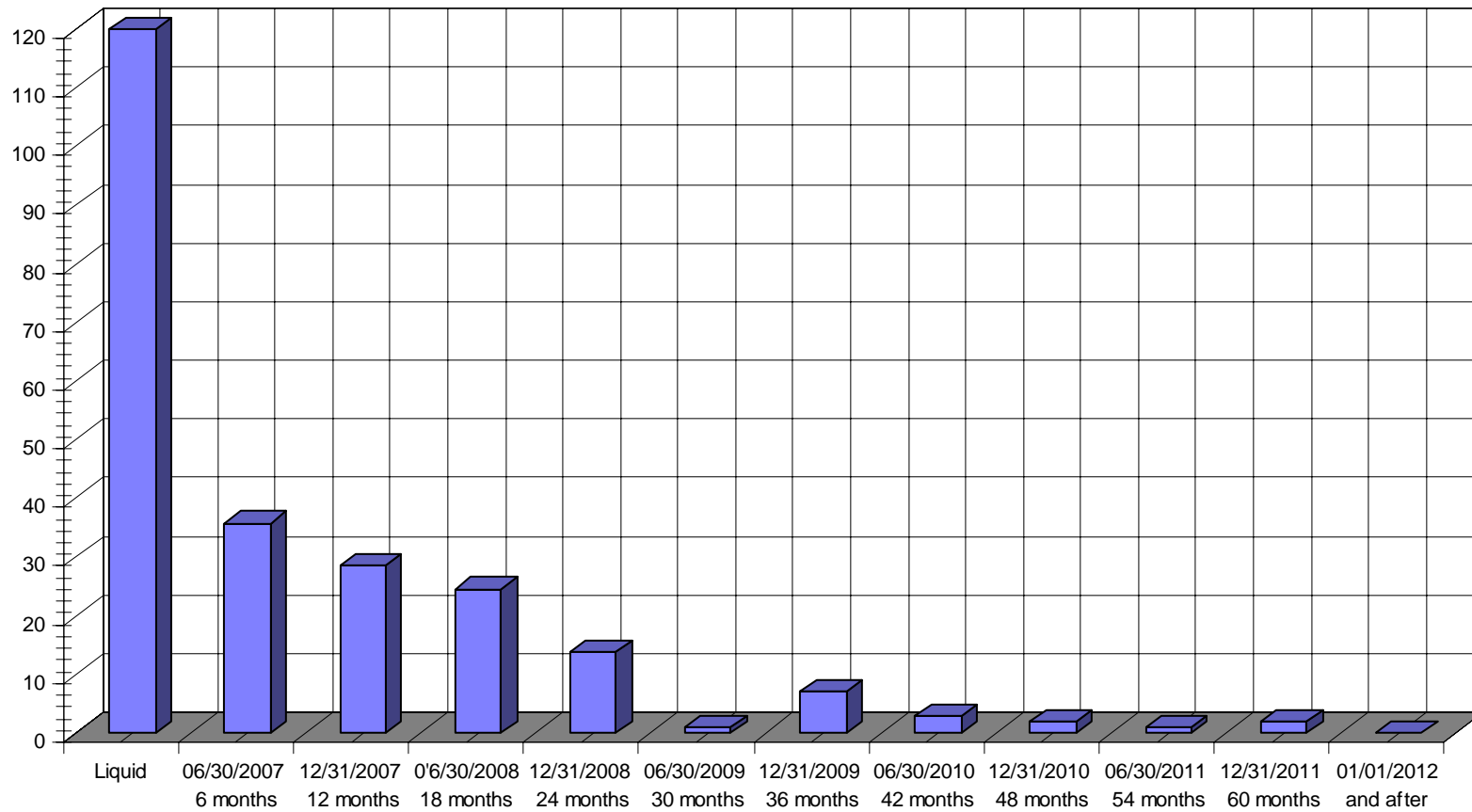


# City of Milpitas Investment Portfolio Yields Compared to Benchmarks for the Quarters Ended 03/31/04 – 12/31/06



# City of Milpitas Investment Portfolio

## Maturity by Six Month Intervals as of 12/31/06



**City of Milpitas**  
**Portfolio Management**  
**Portfolio Summary**  
**December 31, 2006**

Report Ver. 5.00

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365
LAIF	33,494,041.38	33,475,433.00	33,494,041.38	14.02	1	1	4.803	4.870
Money Market Funds	11,097,299.50	11,097,299.50	11,097,299.50	4.64	1	1	4.981	5.050
Corporate Notes	21,000,000.00	20,811,354.60	20,937,817.73	8.76	1,133	643	4.358	4.419
Federal Agency	76,000,000.00	75,238,502.15	75,992,797.54	31.82	1,200	409	3.709	3.761
Federal Agency Discounts	4,000,000.00	3,875,999.76	3,878,791.11	1.62	252	224	5.081	5.152
Treasury Coupon Securities	19,000,000.00	18,911,827.45	19,010,963.68	7.96	708	220	3.906	3.960
GNMA	83,788.79	83,931.01	83,788.79	0.03	7,172	3,701	8.321	8.437
Repurchase Investment Agreement	74,323,155.18	74,323,155.18	74,323,155.18	31.12	1	1	2.520	2.555
<b>Total Investments and Averages</b>	<b>238,998,284.85</b>	<b>237,822,502.65</b>	<b>238,818,654.91</b>	<b>100.00%</b>	<b>545</b>	<b>210</b>	<b>3.648</b>	<b>3.699</b>
<b>Cash</b>					<b>Term</b>	<b>Days to Maturity</b>	<b>YTM 360 Equiv.</b>	<b>YTM 365</b>
Passbook/Checking (not included in yield calculations)	3,959,839.05	3,991,242.31	3,959,839.05				4.922	4.990
<b>Total Cash and Investments</b>	<b>242,958,123.90</b>	<b>241,782,341.70</b>	<b>242,778,493.96</b>		<b>545</b>	<b>210</b>	<b>3.648</b>	<b>3.699</b>

<b>Total Earnings</b>	<b>December 31 Month Ending</b>	<b>Fiscal Year To Date</b>
Current Year	716,329.98	4,251,447.45
<b>Average Daily Balance</b>	<b>236,801,069.86</b>	<b>237,464,195.34</b>
<b>Effective Rate of Return</b>	<b>3.56%</b>	<b>3.55%</b>

To the best of my knowledge, this report accurately reflects all City and RDA pooled investments and is in conformity with all State laws and the City's investment policy.

A copy of the policy is available at the office of the City Clerk. This investment program herein shown provides sufficient cash flow liquidity to meet next six months' estimated expenditures.

 1/25/07

Emma C. Karlen  
 Director of Finance

**City of Milpitas**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2006**

Page 2

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>LAIF</b>												
SY382000010	82000010	Local Agency Invest. Fd - City			7,300,000.00	7,295,944.32	7,300,000.00	4.870		4.870	1	
SY97090401	97090401	Local Agency Invest. Fd - MPFA			9,600,000.00	9,594,666.50	9,600,000.00	4.870		4.870	1	
SY3820000900	82000900	Local Agency Invest. Fd - RDA			16,500,000.00	16,490,833.05	16,500,000.00	4.870		4.870	1	
SY300121401	00121401	Local Agency Invest Fd - COP00			94,041.38	93,989.13	94,041.38	4.870		4.870	1	
<b>Subtotal and Average</b>			<b>31,240,363.96</b>		<b>33,494,041.38</b>	<b>33,475,433.00</b>	<b>33,494,041.38</b>			<b>4.870</b>	<b>1</b>	
<b>Money Market Funds</b>												
SY306121301	06121301	Dreyfus Treasury Fund		12/13/2006	9,274,146.56	9,274,146.56	9,274,146.56	5.050	Aaa	5.050	1	
SY398122102	98122102	Dreyfus Treasury Fund			1,823,152.94	1,823,152.94	1,823,152.94	5.050	Aaa	5.050	1	
<b>Subtotal and Average</b>			<b>11,995,507.88</b>		<b>11,097,299.50</b>	<b>11,097,299.50</b>	<b>11,097,299.50</b>			<b>5.050</b>	<b>1</b>	
<b>Corporate Notes</b>												
36962GF41	04041602	General Electric Capital Corp		04/16/2004	1,000,000.00	999,252.93	1,000,025.76	2.800	Aaa	2.730	14	01/15/2007
36962GXR0	03041101	General Electric Capital Corp		04/11/2003	1,000,000.00	999,599.00	1,002,255.32	5.000	Aaa	3.030	45	02/15/2007
94975CAK3	04041601	Wells Fargo Financial		04/16/2004	1,000,000.00	997,037.05	1,008,157.75	4.875	Aa1	2.950	162	06/12/2007
36962GJ70	05083102	General Electric Capital Corp		08/31/2005	1,000,000.00	990,384.98	995,770.67	3.450	Aaa	4.269	196	07/16/2007
36962GD68	03122301	General Electric Capital Corp		12/23/2003	1,000,000.00	989,877.01	1,002,567.80	3.500	Aaa	3.059	226	08/15/2007
949746CQ2	05050501	Wells Fargo Financial		05/05/2005	1,000,000.00	987,259.98	997,910.39	3.750	Aa1	4.030	287	10/15/2007
172967DB4	06011302	Citigroup Inc		01/13/2006	1,000,000.00	989,380.95	994,922.73	4.200	Aa1	4.741	353	12/20/2007
172967BS9	05093001	Citigroup Inc		09/30/2005	1,000,000.00	982,006.07	990,762.43	3.500	Aa1	4.405	396	02/01/2008
892332AL1	04012102	Toyota Motor Credit		01/21/2004	1,000,000.00	963,618.01	995,968.04	2.875	Aaa	3.179	578	08/01/2008
060505BC7	05112301	Bank of America Corp		11/23/2005	1,000,000.00	970,142.06	978,293.28	3.250	Aa2	4.689	592	08/15/2008
92976FAS2	06011301	Wachovia Bank NA		01/13/2006	1,000,000.00	985,751.95	994,611.16	4.375	Aa2	4.730	592	08/15/2008
949746JB8	05112302	Wells Fargo Financial		11/23/2005	1,000,000.00	979,580.99	989,759.19	4.000	Aa1	4.677	592	08/15/2008
892332AH0	06092801	Toyota Motor Credit		09/28/2006	2,000,000.00	2,005,871.89	2,017,984.24	5.500	Aaa	5.004	714	12/15/2008
922380AD2	06050902	BPLN Vastar Resources		05/09/2006	1,000,000.00	1,025,915.07	1,025,302.78	6.500	Aa1	5.270	821	04/01/2009
931142BE2	06050901	Walmart Stores		05/09/2006	1,000,000.00	1,041,826.02	1,035,491.61	6.875	Aa2	5.370	952	08/10/2009
36962GR48	06031001	General Electric Capital Corp		03/10/2006	1,000,000.00	974,996.95	974,538.13	4.125	Aaa	5.180	974	09/01/2009
931142BX0	06041102	Walmart Stores		04/11/2006	1,000,000.00	968,977.97	966,404.34	4.000	Aa2	5.230	1,110	01/15/2010
931142CA9	06041101	Walmart Stores		04/11/2006	1,000,000.00	987,548.98	984,650.49	4.750	Aa2	5.227	1,322	08/15/2010
060505BF0	06100201	Bank of America Corp		10/02/2006	1,000,000.00	971,965.03	977,055.53	4.375	Aa2	5.030	1,430	12/01/2010
949746NB3	06092802	Wells Fargo Financial		09/28/2006	1,000,000.00	1,000,361.71	1,005,386.09	4.875	Aa1	5.010	1,472	01/12/2011
<b>Subtotal and Average</b>			<b>20,951,790.57</b>		<b>21,000,000.00</b>	<b>20,811,354.60</b>	<b>20,937,817.73</b>			<b>4.419</b>	<b>643</b>	
<b>Federal Agency</b>												
3133X5U29	04042701	Federal Home Loan Bank		04/27/2004	1,000,000.00	998,125.00	1,000,000.00	2.350	Aaa	2.351	25	01/26/2007
31339YSP8	04032202	Federal Home Loan Bank		03/22/2004	1,000,000.00	997,500.00	1,000,154.37	2.320	Aaa	2.150	35	02/05/2007

Portfolio MILP  
AC



**City of Milpitas**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2006**

Page 3

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency</b>												
3133XG4G6	06071401	Federal Home Loan Bank		07/14/2006	2,000,000.00	2,000,625.00	2,000,000.00	5.550	Aaa	5.627	44	02/14/2007
3128XA066	03021401	Fed Home Loan Mortgage Corp		02/14/2003	2,000,000.00	1,995,060.12	2,000,000.00	3.050	Aaa	3.050	44	02/14/2007
3133MW2K6	04032201	Federal Home Loan Bank		03/22/2004	2,000,000.00	1,994,375.00	2,001,653.69	2.875	Aaa	2.173	45	02/15/2007
3133X42R1	04022701	Federal Home Loan Bank		02/27/2004	2,000,000.00	1,992,500.00	2,000,000.00	2.835	Aaa	2.835	58	02/28/2007
3133XEV55	06030101	Federal Home Loan Bank		03/01/2006	2,000,000.00	1,998,750.00	2,000,000.00	4.875	Aaa	4.875	59	03/01/2007
3136F5RL7	04041901	Federal Nat'l. Mortgage Assoc		04/19/2004	1,000,000.00	992,812.50	1,000,000.00	2.720	Aaa	2.720	108	04/19/2007
3128X06G9	03101601	Fed Home Loan Mortgage Corp		10/16/2003	2,000,000.00	1,986,723.94	2,000,000.00	3.000	Aaa	3.000	114	04/25/2007
3133X1SH1	03111001	Federal Home Loan Bank		11/10/2003	2,000,000.00	1,985,625.00	2,000,000.00	3.050	Aaa	3.050	129	05/10/2007
3128X1GC5	03052701	Fed Home Loan Mortgage Corp		05/27/2003	2,000,000.00	1,979,343.87	2,000,000.00	2.480	Aaa	2.480	144	05/25/2007
3133X2Q24	03121501	Federal Home Loan Bank		12/15/2003	2,000,000.00	1,981,875.00	2,000,000.00	3.170	Aaa	3.170	165	06/15/2007
3128X3P J6	04062801	Fed Home Loan Mortgage Corp		06/28/2004	1,000,000.00	993,125.00	1,000,000.00	3.800	Aaa	3.800	178	06/28/2007
31359MVU4	04070601	Federal Nat'l. Mortgage Assoc		07/06/2004	1,000,000.00	992,500.00	1,000,000.00	3.750	Aaa	3.750	186	07/06/2007
31331VR32	06071901	Federal Farm Credit Bank		07/19/2006	1,000,000.00	1,001,250.00	1,000,000.00	5.500	Aaa	5.500	199	07/19/2007
3133X5RY6	04042001	Federal Home Loan Bank		04/20/2004	1,000,000.00	985,312.50	1,000,000.00	2.500	Aaa	2.500	200	07/20/2007
31331Q6M4	03073001	Federal Farm Credit Bank		07/30/2003	2,000,000.00	1,974,375.00	2,000,000.00	3.000	Aaa	3.000	210	07/30/2007
31331Q7C5	03081301	Federal Farm Credit Bank		08/13/2003	1,000,000.00	986,875.00	1,000,000.00	3.050	Aaa	3.050	224	08/13/2007
3133MW4P7	03022801	Federal Home Loan Bank		02/28/2003	2,000,000.00	1,973,750.00	2,000,000.00	3.200	Aaa	3.200	239	08/28/2007
31331TYF2	04031001	Federal Farm Credit Bank		03/10/2004	2,000,000.00	1,964,375.00	1,999,013.99	2.625	Aaa	2.698	259	09/17/2007
3128X0EB1	03090401	Fed Home Loan Mortgage Corp		09/04/2003	1,000,000.00	986,246.95	998,336.27	3.500	Aaa	3.721	297	10/25/2007
31331XEF5	06112101	Federal Farm Credit Bank		11/21/2006	2,000,000.00	1,996,875.00	2,000,000.00	5.100	Aaa	5.100	324	11/21/2007
3128X2FK6	03121901	Fed Home Loan Mortgage Corp		12/19/2003	1,000,000.00	985,056.00	1,000,000.00	3.625	Aaa	3.625	352	12/19/2007
3128X3NH2	04062101	Fed Home Loan Mortgage Corp		06/21/2004	1,000,000.00	988,479.00	1,000,000.00	4.000	Aaa	4.000	354	12/21/2007
3133X4UG4	04032901	Federal Home Loan Bank		03/29/2004	2,000,000.00	1,957,500.00	2,000,000.00	3.010	Aaa	3.011	361	12/28/2007
3133X35B5	04011601	Federal Home Loan Bank		01/16/2004	2,000,000.00	1,961,875.00	2,000,000.00	3.300	Aaa	3.300	381	01/17/2008
31331QZR1	04010903	Federal Farm Credit Bank		01/09/2004	2,000,000.00	1,956,875.00	1,999,402.15	3.100	Aaa	3.130	386	01/22/2008
3128X2NS0	04012801	Fed Home Loan Mortgage Corp		01/28/2004	1,000,000.00	979,833.98	1,000,000.00	3.250	Aaa	3.250	392	01/28/2008
31359MQP1	03101602	Federal Nat'l. Mortgage Assoc		10/16/2003	1,000,000.00	982,500.00	999,967.37	3.500	Aaa	3.502	392	01/28/2008
3133XBD93	05031701	Federal Home Loan Bank		03/17/2005	3,000,000.00	2,964,375.00	3,000,000.00	4.125	Aaa	4.126	410	02/15/2008
31331VTH9	06031401	Federal Farm Credit Bank		03/14/2006	2,000,000.00	1,996,875.00	2,000,228.53	5.030	Aaa	5.020	438	03/14/2008
3133MXFT1	04022401	Federal Home Loan Bank		02/24/2004	1,000,000.00	972,187.50	997,746.03	2.750	Aaa	2.950	438	03/14/2008
31331TZY0	04042101	Federal Farm Credit Bank		04/21/2004	2,000,000.00	1,952,500.00	2,000,000.00	3.240	Aaa	3.240	476	04/21/2008
3128X1ED5	03051301	Fed Home Loan Mortgage Corp		05/13/2003	2,000,000.00	1,944,786.07	2,000,000.00	3.000	Aaa	3.000	498	05/13/2008
3136F3SY3	04030401	Federal Nat'l. Mortgage Assoc		03/04/2004	1,000,000.00	975,312.50	1,000,000.00	3.250	Aaa	3.249	501	05/16/2008
31359MRW5	04012101	Federal Nat'l. Mortgage Assoc		01/21/2004	2,000,000.00	1,940,000.00	1,992,411.73	2.875	Aaa	3.170	504	05/19/2008
31331XJP8	06122601	Federal Farm Credit Bank		12/26/2006	2,000,000.00	1,996,250.00	2,000,000.00	4.950	Aaa	4.950	542	06/26/2008
31339XSL9	04022402	Federal Home Loan Bank		02/24/2004	1,000,000.00	968,125.00	996,400.22	2.830	Aaa	3.090	542	06/26/2008

Portfolio MILP

AC

PM (PRFCPM2) SymRept 6.41.202a

**City of Milpitas**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2006**

Page 4

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Federal Agency</b>												
31331VM52	06072501	Federal Farm Credit Bank		07/25/2006	2,000,000.00	2,018,597.22	2,007,483.19	5.500	Aaa	5.471	549	07/03/2008
3133X07M5	03081901	Federal Home Loan Bank		08/19/2003	2,000,000.00	1,951,250.00	2,000,000.00	3.500	Aaa	3.500	596	08/19/2008
31359MX40	06091501	Federal Nat'l. Mortgage Assoc		09/15/2006	2,000,000.00	1,997,500.00	2,000,000.00	5.000	Aaa	5.000	623	09/15/2008
31331VQ66	06072001	Federal Farm Credit Bank		07/20/2006	3,000,000.00	3,026,250.00	3,000,000.00	5.375	Aaa	5.375	931	07/20/2009
3133XGYT5	06091502	Federal Home Loan Bank		09/15/2006	2,000,000.00	2,001,250.00	2,000,000.00	5.000	Aaa	5.003	1,075	12/11/2009
3133XJEL8	06122201	Federal Home Loan Bank		12/22/2006	2,000,000.00	1,990,000.00	2,000,000.00	5.000	Aaa	5.000	1,268	06/22/2010
3133XJ6K9	06121201	Federal Home Loan Bank		12/12/2006	2,000,000.00	1,973,125.00	2,000,000.00	5.000	Aaa	5.000	1,806	12/12/2011
<b>Subtotal and Average</b>					<b>76,000,000.00</b>	<b>75,238,502.15</b>	<b>75,992,797.54</b>			<b>3.761</b>	<b>409</b>	
<b>Federal Agency Discounts</b>												
313588KJ3	06120401	Federal Nat'l Mort Assoc Disc		12/04/2006	4,000,000.00	3,875,999.76	3,878,791.11		AAA	5.152	224	08/13/2007
<b>Subtotal and Average</b>					<b>4,000,000.00</b>	<b>3,875,999.76</b>	<b>3,878,791.11</b>			<b>5.152</b>	<b>224</b>	
<b>Treasury Coupon Securities</b>												
912828DJ6	05013101	United States Treasury Note		01/31/2005	2,000,000.00	1,996,875.00	1,999,842.04	3.125	Aaa	3.225	30	01/31/2007
912828BY5	06011101	United States Treasury Note		01/11/2006	2,000,000.00	1,993,125.00	1,994,779.32	2.250	Aaa	4.442	45	02/15/2007
912828CG3	04051701	United States Treasury Note		05/17/2004	1,000,000.00	993,125.00	999,808.51	3.125	Aaa	3.180	134	05/15/2007
912828DW7	05053101A	United States Treasury Note		05/31/2005	1,495,946.76	1,486,597.09	1,495,446.81	3.500	Aaa	3.585	150	05/31/2007
912828DW7	05053101B	United States Treasury Note		05/31/2005	1,504,053.24	1,494,652.91	1,503,550.58	3.500	Aaa	3.585	150	05/31/2007
912828DY3	05063001	United States Treasury Note		06/30/2005	3,000,000.00	2,979,375.00	3,000,140.55	3.625	Aaa	3.615	180	06/30/2007
9128273E0	06082801	United States Treasury Note		08/28/2006	2,000,000.00	2,016,827.45	2,017,218.52	6.125	Aaa	5.043	226	08/15/2007
912828EF3	05083101	United States Treasury Note		08/31/2005	2,000,000.00	1,986,250.00	2,000,000.00	4.000	Aaa	4.000	242	08/31/2007
912828EU0	06013101	United States Treasury Note		01/31/2006	2,000,000.00	1,986,875.00	1,998,679.73	4.375	Aaa	4.439	395	01/31/2008
912828EC0	05093002	United States Treasury Note		09/30/2005	2,000,000.00	1,978,125.00	2,001,497.62	4.125	Aaa	4.074	592	08/15/2008
<b>Subtotal and Average</b>					<b>19,000,000.00</b>	<b>18,911,827.45</b>	<b>19,010,963.68</b>			<b>3.960</b>	<b>220</b>	
<b>GNMA</b>												
36216NNL3	88021601A	GNMA		07/01/1997	15,220.75	16,480.72	15,220.75	9.500	Aaa	9.615	3,575	10/15/2016
36216QCC8	88021601B	GNMA		07/01/1997	0.00	0.00	0.00	9.500	Aaa	9.615	0	10/15/2016
36217FENG3	87052601C	GNMA		07/01/1997	11,155.59	11,890.19	11,155.59	8.500	Aaa	8.588	3,636	12/15/2016
36217KGGX0	87052601D	GNMA		07/01/1997	2,158.99	2,307.49	2,158.99	8.500	Aaa	8.588	3,698	02/15/2017
36217AT46	87042001C	GNMA		07/01/1997	14,747.41	15,547.90	14,747.41	8.000	Aaa	8.075	3,726	03/15/2017
36217FKE8	87042001A	GNMA		07/01/1997	34,265.74	36,125.68	34,265.74	8.000	Aaa	8.076	3,757	04/15/2017
36217PUL9	87042001B	GNMA		07/01/1997	6,240.31	6,579.03	6,240.31	8.000	Aaa	8.076	3,757	04/15/2017
<b>Subtotal and Average</b>					<b>83,788.79</b>	<b>89,931.01</b>	<b>83,788.79</b>			<b>8.437</b>	<b>3,701</b>	
<b>Subtotal and Average</b>												
<b>Subtotal and Average</b>												

Portfolio MILP  
AC

**City of Milpitas**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**December 31, 2006**

Page 5

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM 365	Days to Maturity	Maturity Date
<b>Repurchase Investment Agreement</b>												
03112001	03112001	Citigroup Global Markets Inc		11/20/2003	74,323,155.18	74,323,155.18	74,323,155.18	2.520		2.555	1	
		Subtotal and Average	74,323,155.18		74,323,155.18	74,323,155.18	74,323,155.18			2.555	1	
		Total Investments and Average	236,801,069.86		238,998,284.85	237,822,502.65	238,818,654.91			3.699	210	

**City of Milpitas**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**December 31, 2006**

Page 6

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	Moody's	YTM	Days to 365 Maturity
<b>Cash Accounts</b>											
SYS1000	1000	Cash in Bank				654,233.00	654,233.00	4.940		4.940	1
SYS1030	1030	Cash with Fiscal Agent				3,337,009.31	3,305,606.05	5.000		5.000	1
<b>Total Cash and Investments</b>			<b>236,801,069.86</b>		<b>242,958,123.90</b>	<b>241,813,744.96</b>	<b>242,778,493.96</b>			<b>3.699</b>	<b>210</b>

**City of Milpitas**  
**Portfolio Management**  
**Activity By Type**  
**December 1, 2006 through December 31, 2006**

Page 7

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>LAIF (Monthly Summary)</b>							
SYS82000010	82000010	Local Agency Invest. Fd - City	4.870		3,500,000.00	3,700,000.00	
SYS97090401	97090401	Local Agency Invest. Fd - MPFA	4.870		2,100,000.00	1,000,000.00	
SYS82000900	82000900	Local Agency Invest. Fd - RDA	4.870		8,600,000.00	1,100,000.00	
SYS00121401	00121401	Local Agency Invest Fd - COP00	4.870		0.00	24,000.00	
<b>Subtotal</b>					<b>14,200,000.00</b>	<b>5,824,000.00</b>	<b>33,494,041.38</b>
<b>Money Market Funds (Monthly Summary)</b>							
SYS1000	1000	Cash in Bank	4.940		654,233.00	919,875.00	
SYS06121301	06121301	Dreyfus Treasury Fund	5.050		9,274,146.56	0.00	
SYS98122102	98122102	Dreyfus Treasury Fund	5.050		7,786.73	0.00	
SYS1030	1030	Cash with Fiscal Agent	5.000		3,305,606.05	3,606,083.43	
<b>Subtotal</b>					<b>13,241,772.34</b>	<b>4,525,958.43</b>	<b>11,097,299.50</b>
<b>Corporate Notes</b>							
<b>Subtotal</b>							<b>20,937,817.73</b>
<b>Federal Agency</b>							
31331LWJ3	01122601	Federal Farm Credit Bank	4.875	12/19/2006	0.00	1,000,000.00	
31331RN43	02010803	Federal Farm Credit Bank	5.500	12/04/2006	0.00	1,000,000.00	
31331RN43	03010604	Federal Farm Credit Bank	5.500	12/04/2006	0.00	300,000.00	
31331XJP8	06122601	Federal Farm Credit Bank	4.950	12/26/2006	2,000,000.00	0.00	
3133MKAH0	02012201	Federal Home Loan Bank	4.810	12/14/2006	0.00	1,000,000.00	
3133MK7J0	03010601	Federal Home Loan Bank	4.820	12/14/2006	0.00	1,000,000.00	
3133MK6W2	03010602	Federal Home Loan Bank	4.910	12/11/2006	0.00	1,000,000.00	
3133MJUW8	03010603	Federal Home Loan Bank	4.300	12/04/2006	0.00	1,000,000.00	
3133MJVX5	03010605	Federal Home Loan Bank	4.120	12/04/2006	0.00	2,000,000.00	
31339X3J1	03060601	Federal Home Loan Bank	2.310	12/06/2006	0.00	2,000,000.00	
31339Y4Q2	03063001	Federal Home Loan Bank	2.020	12/29/2006	0.00	1,000,000.00	
3133XJ6K9	06121201	Federal Home Loan Bank	5.000	12/12/2006	2,000,000.00	0.00	
3133XJEL8	06122201	Federal Home Loan Bank	5.000	12/22/2006	2,000,000.00	0.00	
<b>Subtotal</b>					<b>6,000,000.00</b>	<b>11,300,000.00</b>	<b>75,992,797.54</b>
<b>Federal Agency Discounts</b>							
313588KJ3	06120401	Federal Nat'l Mort Assoc Disc		12/04/2006	3,863,640.00	0.00	
<b>Subtotal</b>					<b>3,863,640.00</b>	<b>0.00</b>	<b>3,878,791.11</b>

**City of Milpitas**  
**Portfolio Management**  
**Activity By Type**  
**December 1, 2006 through December 31, 2006**

Page 8

CUSIP	Investment #	Issuer	Stated Rate	Transaction Date	Purchases or Deposits	Redemptions or Withdrawals	Balance
<b>Treasury Coupon Securities</b>							
							<b>19,010,963.68</b>
<b>GNMA</b>							
36217FKE8	87042001A	GNMA	8.000	12/15/2006	0.00	175.42	
36217PUL9	87042001B	GNMA	8.000	12/15/2006	0.00	113.54	
362174T46	87042001C	GNMA	8.000	12/15/2006	0.00	76.40	
36217ENG3	87052601C	GNMA	8.500	12/15/2006	0.00	61.81	
36217KGX0	87052601D	GNMA	8.500	12/15/2006	0.00	15.24	
36216NNL3	88021601A	GNMA	9.500	12/15/2006	0.00	83.64	
		<b>Subtotal</b>			<b>0.00</b>	<b>526.05</b>	<b>83,788.79</b>
<b>Repurchase Investment Agreement</b>							
							<b>74,323,155.18</b>
		<b>Subtotal</b>					
		<b>Total</b>			<b>37,305,412.34</b>	<b>21,650,484.48</b>	<b>238,818,654.91</b>

## City of Milpitas

### Investment Broker Dealer List

Citigroup Global Markets Inc. (Solomon Smith Barney)

Morgan Stanley Dean Witter

Mischler Financial Group, Inc.

Vining Sparks IBG, L.P.

Dreyfus Institutional Services

State of California Local Agency Investment Fund